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Our obligation as bankers

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Business

Rhoades, John Harsen, 1869-1943.
Our obligation as bankers; savings bank legislation needed, illustrated by the experience of the Yorkshire penny bank. An address delivered before the Finance forum of New York, Jan. 10, 1912. [1912]
cover-title, 18 p.

1. Savings-banks.

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TECHNICAL MICROFORM DATA

FILM SIZE: 35 mm REDUCTION RATIO: 12:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 11-26-97 INITIALS: AP

TRACKING # : 29420

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OUR OBLIGATION AS BANKERS

SAVINGS BANK LEGISLATION NEEDED

ILLUSTRATED BY THE EXPERIENCE OF THE YORKSHIRE PENNY BANK

BY
JOHN HARSEN RHOADES

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OUR OBLIGATION AS BANKERS

Savings Bank Legislation Needed

BY

JOHN HARSEN RHOADES

A few months ago the Yorkshire Penny Bank, an English Trustee Savings institution, established by philanthropy and without capital, like those in the State of New York, with deposits amounting to $90,000,000, found itself in trouble, and was forced to seek assistance from the Bank of England. Not a dollar was stolen. So far as we can learn, not a dollar was actually lost, investments were gilt-edged, there was no run upon the bank. What then was the cause? Its directors had willingly or unavoidably failed to obey the fundamental law of banking and of business, *the preservation of a proper margin of safety between assets and liabilities.*

Had they been able to create and hold that proper margin, the history of their troubles would have been unwritten. Though their varied investments were gilt-edged, and it is safe to say, certain to be paid at maturity, you will perceive that this did not serve to protect these investments from depreciation in their market value. Because of this fall in prices, and because there was no means of offsetting it, the managers, knowing that these market values were not temporarily depressed by panic conditions, were forced to admit that its margin of safety was so impaired that the institution was potentially insolvent, that is, that investments-assets-to the best of their knowledge and belief, would not, if sold at their market worth, be sufficient to meet deposit liabilities.

As a matter of fact, since they were facing an unexpected situation, which for lack of available knowledge, they were unprepared to meet, no great blame can be attributed to the directors of the Yorkshire Penny Bank. They had fulfilled their duties as they saw them. Where they failed was that their vision was not keen enough to discern the possibility of large depreciation in the investments of the bank, gilt-edged as these undoubtedly were, nor had they foreseen that a savings depository, handicapped by the absence of capital, must have a sufficient earning power to be able to set aside out of income ample sums to offset losses, whether they be upon paper or otherwise.

We have not much time to dwell upon the method of reconstruction. Suffice it to say that, when the truth could no longer be disputed, to the credit of the directorate, they took the straightforward course, went to the Central Banking Committee, and laid their troubles before them. The situation was critical. To allow the institution to close its doors might have precipitated disastrous consequences. And so, after difficult negotiation and in pronounced opposition to the inclination of those whose assistance was sought, this non-capitalized institution was converted into a stock bank, various commercial banks in the locality agreeing to subscribe a sum of $10,000,000, in order to form a new company, to be called the Yorkshire Penny Bank, Limited, having a capital paid up to the extent of $3,750,000, a reserve fund of a like amount, and an uncalled capital of $2,500,000, which institution has provisionally agreed to take over the liabilities and assets of the Yorkshire Penny Bank; furthermore, a group of banks, including the Bank of England, have agreed to guarantee to the new company a substantial sum to provide for possible future depreciation of securities beyond an agreed amount. As a result, a trustee savings bank, pure and simple, without capital, has been transformed into one of England's strongest financial depositories, with

facilities for conducting business upon sound banking principles.

The London Statist in its editorial of August 12th says:

> "While the troubles of the Yorkshire Penny Bank are fresh in the memory of our readers, it may be worth while to direct their attention to the lesson which these troubles teach us. It will be recollected that the Bank was founded by sincere philanthropists who never expected that it would become a large concern, who indeed considered that it would continue so small that they were firmly of opinion that it needed no capital, but that a guarantee given by themselves and their friends would be sufficient for all practical purposes. Contrary to their anticipation it rose steadily in the public estimation, and just before its troubles came to a head it held deposits exceeding £18,500,000. * * * Its difficulties flowed from two sets of circumstances: one, that the founders provided no capital, the other that they set their faces against working for a profit and consequently were unable to accumulate large reserves" (in other words, a surplus). "Their investments were of the very highest order. It is only necessary to look down the list * * * to convince oneself of that. In fact the directors of the bank were highly honorable men whose only mistake was that they were not bankers, and that they took a view, therefore, that proved to be superficial of the dangers they were incurring. Of their honor, however, there can be no question."

Mr. George Paish, an international authority upon finance and the editor of the London Statist, in a letter to me upon the subject, says in part:

> "The troubles of the Bank arose from the great fall that has taken place in high class securities in recent years.

"The Birbeck and the Yorkshire Penny Banks invested practically all their money in high class securities, and the fall that has occurred has consequently hit them severely. The remedy seems to be that banking money of any kind ought not to be invested in securities liable to depreciation, unless they enjoy the guarantee of State or Government authorities. Banking deposits ought to be employed in making short loans which are constantly being repaid and which throw the burden of loss upon the borrowers rather than upon the bank. Of course a bank has to guard itself against a run, and to meet a run high class investment securities are more easily converted into cash than loans to customers or bills discounted. Nevertheless the depreciation of securities is a danger to be guarded against quite as serious as a run."

Let us recapitulate the defects and recommendation emphasized in this editorial and letter:

DEFECTS:

(1) Non-capitalization.
(2) Lack of surplus in lieu of capitalization.
(3) Ignorance of banking principles.
(4) Investment in long term securities.

RECOMMENDATION:

Investment of savings bank moneys in short loans constantly repaid, throwing loss upon borrowers rather than upon bank.

I may be pardoned for reminding you that when the educational campaign in which some of us are interested and which we feel in duty bound to continue, was in its infancy, many trustees in this State not only held, but fought in support of the opinion that market values, as applicable to savings banks were of little or no consequence. Does not the experience of the Yorkshire Penny Bank illuminate the falsity of such a doctrine? Does it not show in any but panic conditions the futility of considering other than market values in determining the solvency of such an institution?

Before proceeding further let me present the three basic contentions of this and all my previous arguments.

1st: Our Trustee Savings Banks were founded by philanthropy. It is self-evident that there cannot be unfair competition, corporate selfishness or inordinate self-centred ambition in philanthropic work, for just as soon as these elements appear the work ceases to be philanthropic.

2nd: Our Trustee Savings Banks, chartered by the State to encourage thrift throughout the State, constitute a system. Lack of confidence in one conspicuous member would shake belief in all. The trustee, therefore, for the preservation of public confidence in his own institution must co-operate for the conservation of the system as a whole.

The force of this contention is shown in the resurrection of the Yorkshire Penny Bank through the joint action of the commercial bankers of England, to guard against a panic, and is exemplified by our own experiences of 1907, when Mr. Morgan secured co-operation among our trust companies and stopped a panic. With these two glaring examples of needed and successful co-operation before him, the savings bank trustee, who sets himself in stolid opposition to their meaning, is not only unfaithful to his trust, but manufactures and may precipitate misfortune upon his fellow men.

3rd: The Trustee Savings Bank is not an Investment Institution, it is a Financial Depository.

If it were merely an investment institution acting as agent for the investment of the people's money, the Yorkshire or any other trustee savings bank in like

circumstances would be privileged to distribute among its depositors the depreciated investments in which their money had been placed.

It is a depository, because it holds the deposits of the people, and must pay at their demand, surely—let us hope—within sixty days, 100 cents on the dollar.

It differs from other financial depositories, it is true, in that no one save the depositor shares in its profits, was founded for the particular purpose of encouraging thrift, and strives to retain deposits to promote the habit of accumulation.

If then, it be a depository, it follows that it must obey the laws of banking.

Gentlemen, there are three fundamental rules in banking, and they apply to every financial depository, without rebate or favor. The first is, to preserve a proper surplus or margin of safety between assets and liabilities so as to assure all concerned that, under normal conditions at least, such an institution could voluntarily, within a reasonable time, depending upon its size, be honorably liquidated beyond peradventure, which involves our recognition of the fact that no board of directors or trustees have the right to pay one depositor in full unless they be convinced that if given reasonable time, they could pay all in full. To violate this principle is to be guilty of fraud. The second, that deposits must only be employed in the safest channels of enterprise. The third is, to carry a proper reserve: consisting of (a) a cash-reserve in the vaults of the institution, as a line of first defense; (b) a deposit reserve in other institutions, as a line of second defense; and (c) a fair amount of liquid assets, as a line of third defense—the purpose of the reserve being to meet an extraordinary unexpected demand from depositors.

The frequent infraction of these three rules of conduct, in whole or in part, has actuated my persistent activities in the interest of the savings depositor. I have

throughout insisted that our New York State savings banks are not preserving an adequate margin of safety, and in lieu of a reserve are leaning too heavily upon the support of the time honored 60 day demand notice upon withdrawals.

It is not my intention at this point, to dwell upon the reserve. I will merely add that, with the growth of the Postal Savings Bank, and with the increase of savings deposits in other depositories,—all of which pay upon demand,—the day is not far distant when competition may exclude the use of a notice longer than 15 days. The shorter the notice, the greater will be the need for a reserve. If it were not that we have the demand notice privilege, we must hold as large a reserve as do our national banks. The troubles of the Yorkshire Penny Bank, however, were not caused by an insufficient reserve, but by an insufficient surplus, determined, as only it can be, by appraising assets at their estimated market or approximate selling value.

In bringing home the lesson it is gratifying to observe that the savings banks of this State in one sense are in a stronger position than that of the Yorkshire Penny Bank. We are fortunate, most fortunate, in having an earning power, small as it may be, ample to enable us gradually to create an adequate surplus. We can cut our rate to 2% and pay as much as the Postal Bank. For the present anything below 3% is uncalled for. The Yorkshire Penny Bank was not so favored. Its earning power was about 3%. It was crediting 2¾%, while the Postal Savings Bank was paying 2½%.

If you have followed thoughtfully, you will mark that the decline in gilt-edged securities and the consequent troubles of the Yorkshire Penny Bank have exposed an unsuspected weakness, a weakness indeed that lies at the very root of our trustee savings system, namely, that these depositories were founded without capital upon the doubtful theory that rich, philanthropic men could or would stand behind them, and render at

need pecuniary assistance. Admitting that these men have the means and the willingness to render such assistance,—and do not forget that the larger the institution, the less likely are they to have the means—is it fair to ask them to give it? Is it right to the depositor to force him to rely upon it? Did the trustees of the Washington and State Savings Banks show a willingness;—did the trustees of the Yorkshire Penny Bank have the means to re-establish their institutions upon a sound basis?

Now, if through just though destructive criticism we attack time-honored policies, we are bound to offer something more worthy of esteem. No man has the right to destroy unless he be ready with a plan of reconstruction.

Such a plan is embodied in a new savings bank bill introduced by Senator Grady, and now before the New York State legislature. So far from believing this proposed legislation too drastic, as a number of my colleagues do, the longer I study the subject the stronger my conviction that, if there is anything wrong with the bill, it is too conciliatory in some of its features. In brief, it calls for the following provisions:

(1) A periodical report to the Department of Banks, showing securities appraised at their estimated market value;
(2) Limitation of the time notice upon withdrawals;
(3) A reserve fund;
(4) A higher maximum surplus;
(5) Restricted dividends;
(6) Superintendent's supervision of methods of bookkeeping.

Let us consider these in order.

The first calls for a periodical report to the Department of Banks, showing the estimated market value of securities owned by the bank.

Until just after the panic of 1907 our savings institutions had been required to make this report. By a change in the law at that time the statement of estimated market values was dispensed with, and we discover a demand for a statement of investment values, by which term, to all intents and purposes, is meant cost, for the investment value of a bond is the income basis upon which it was bought.

We do not deny that a statement of investment values is desirable, for it is through these values periodically that we ascertain the precise income upon moneys invested, but a report of estimated market values is more than desirable; it is a *sine qua non;* for it shows us, as nearly as we can learn, without undergoing liquidation, the true condition of a savings bank. To be sure, under the general banking law, it is discretionary with the Superintendent of Banks to demand such a report,—for that matter he can demand any report he pleases,—but I maintain that such vital information as knowledge regarding the true condition of a bank should not be left to the option of any Superintendent. If we are to leave either to his discretion, beyond dispute, the report which shows the solvency or insolvency of a financial depository is of far greater weight than that which merely enables us to compute its earning power.

The bill next provides that the demand notice upon withdrawals shall not exceed 30 days.

We should not misconstrue the service rendered by this spasmodic notice. It is but an extra safeguard for the savings depositor, the service is just, when the notice is used for its real purpose,—reassurance, by keeping for the moment, in their own interests, a horde of frightened men and women from the door of a solvent institution,—unjust, if the notice be invoked by the bank

primarily to sell securities or to dodge its assumed and just responsibility, to pay upon demand.

I would bitterly oppose its abolition, but the less often and less prolonged the use of this notice the better for all concerned.

The length of the demand notice is at present but a by-law in each institution. It is not fixed by the State. It should be. We cannot frame laws to govern investments, we cannot determine a proper reserve,—in fact, the running of the machinery of our banks is dependent upon a general understanding as to when deposits are due. In other depositories, barring such time deposits as rest in the trust companies, deposits are payable upon demand, and operations adjusted accordingly. Perhaps 30 days is too abrupt a curtailment of the customary 60. I am not so sure that it is not. But it is imperative that the notice, short or long, be limited by law.

The next proposed change deals with the reserve requirement.

Take care not to confound the terms "reserve" and "surplus," for they distinctly differ in significance. There is much confusion as to their meaning. The reserve is the cash available to meet a run from depositors. The surplus is the very life blood of a savings bank, the margin of safety between what it owns and what it owes. A bank might have a large reserve and no surplus or vice versa. But do not forget that the bank caught without a reserve can borrow upon or sell its assets, but the bank without adequate surplus, barring panic conditions, is potentially insolvent.

The existing law *permits* us to keep uninvested as a reserve the small amount of 10% of total deposits, but does not *require* that or any specific amount to be so kept, either as a primary cash-reserve in the vaults of the institution, or as a secondary deposit reserve in other depositories, the law being permissive, not mandatory. The trust companies in New York City, however, are required to hold a 15% cash-reserve even against their

30-day time deposits. So long as the trustee savings bank can avail itself of a 60-day demand notice there is no necessity for so large a cash-reserve; but can anyone explain the justice of requiring national, state banks and trust companies to carry cash-reserves, and exempting the savings bank? Should not the state compel the latter to play its part in the preservation of the banking system as a whole?

The new provision calls for a reserve equal to 5% of total deposits,—without doubt too small, but large enough for the present, because the importance of a reserve must give way for the time being to the far greater importance of increasing the surplus, an increase which is solely dependent upon the overplus in earnings above the dividend paid. One-half of this reserve, or 2½%, is to constitute a cash-reserve in the vaults of the institution, the other half a deposit reserve in other depositories. Permission is still granted to keep uninvested, if so desired, the small amount of 10% of deposits.

From data at hand we learn that in the State of New York our savings banks hold a deposit reserve of about $85,000,000,—something less than 6% of total deposits,—and in their own vaults less than 1%, a cash-reserve equal to about $12,000,000, and yet their cash liabilities amount to over $1,500,000,000.

The next provision raises the maximum surplus from 15% to 20%, the maximum being that amount of surplus any excess of which must be distributed in extra dividends.

We will refrain from considering this feature until we have discussed the next following, which limits the rate of interest to be credited upon deposits, and reads as follows:

"The rate of interest or dividends shall not exceed 3% per annum so long as the surplus fund, computed as prescribed in Section 154 of this Chapter, shall be

less than 5% of its deposits, and shall not exceed 3½% per annum, so long as such surplus fund, computed as aforesaid, shall be less than 15% of deposits."

Section 154 refers to the maximum surplus and reads:

"In determining the percentum of surplus held by any savings bank its interest-paying stocks and bonds shall not be estimated above their par value or above their market value if below par. * * *"

The existing law, covering regular dividends, orders that we shall credit as nearly as may be all net profits, leaving to our discretion the creation of a surplus fund. By this order and gracious option, the law permits us to credit all net profits and, in effect, invites us to close our doors. Let there be no misunderstanding. The closing of a savings bank does not necessarily mean that depositors will lose a dollar. But it does mean that they will be indefinitely deprived of their principal. It may be said that no sane man will close the doors of his own savings bank. Do not be too sure! The directors of the Yorkshire Penny Bank came dangerously near doing so, and only escaped by enlisting outside help from those who were forced for their own safety to render assistance.

If this change be adopted, not a single bank of the 140 in the State could qualify for the present to declare a 4% dividend rate, and about one-half would be restricted to 3%. In discussing the justice of such legislation we must consider all factors. There are to-day 8 savings banks with a margin of safety ranging between 10% and 15% of total deposits. The others rank retrogressively lower, 70 holding a surplus under 5% and 22 under 2½%. These eight institutions flatter themselves that they are impregnable, and it is just here that the trouble lies. Once prove that 10% is a cheap standard of excellence, so cheap indeed that the weakest savings bank should not be content with less, and the plea for conservatism is carried.

Even were it conceivable that this change in the law might inflict injustice upon the eight banks which have a surplus of over 10%, the injustice would be more than compensated by the benefits accruing to the 70 which must reduce to 3%. It can be proven that the overplus in earnings is so narrow that the reduction of the dividend rate to but 3½% will not enable many of these weaker institutions, even under favorable conditions, to increase their margin of safety in any reasonable time.

But let us suppose that from now on conditions be unfavorable. Quite true, during the last 10 years we have suffered a large depreciation in the market value of bonds. But what assurance have we that we shall not suffer more? It is any man's guess. Besides, we are not unlikely to encounter losses upon real estate loans, for property bought under foreclosure, which cannot be sold for the purchase price, must be marked down. Then too, it must not be forgotten that the more conservative a savings bank has been in its investments, the more restricted will be its earning power. Years of experience have shown that earning power is just sufficient in the case of the majority to pay 3½% without retrograding in financial strength, but if it be essential that a bank grow stronger, unless deposits substantially decrease,—a most unlikely and a most undesirable event, provided they be genuine savings deposits—a reduction to 3% in many cases is indispensable. Now, if many are properly required by law to reduce their rate to 3%, and if coincidently a few are questionably permitted to pay 4%, we are subjecting the former to an unfair and intolerable discrimination.

A pretty mess of philanthropic work we see to-day: Depositories founded without capital, inviting the savings of the people, non-money-making concerns, trustees giving their services gratuitously, all the paraphernalia of disinterested good will, and yet, the older and necessarily stronger, consciously or unconsciously, driving the younger and necessarily weaker toward the wall. And

these weaker institutions,—has their policy differed from that of the stronger? Gentlemen, it has been a policy from which both weak and strong have suffered alike.

Nevertheless, even under existing conditions, the position taken by our weaker depositories is untenable. They claim that because of competition they cannot reduce their rate to 3% and live. Were that true—and it is not—is it not more honorable to die a natural death, through the transfer of all deposits to a solid institution, than to commit, through the forced closing of the bank, financial suicide?

Under the circumstances, I cannot concede that a law which would temporarily enjoin all from paying over 3½% and some from paying over 3%, would be an unjust law. Because the safety and maintenance of a system, threatened by disagreement among its units, but founded to encourage thrift throughout the State, is of far greater concern to our savings depositors than the question of the ability of any one bank to declare an arbitrary dividend rate.

We return to the provision raising the maximum surplus from 15% to 20%.

This I regard as of great importance, for it is a move in the right direction, raising as it does our standard of attainment, so important that the question arises as to whether 20% is not too moderate. Remember it is the maximum surplus allowed by law of which we speak.

On the face of things it is preposterous that the State should say to the savings bank, "You shall not grow too strong." It ought to say, and fails to say, "You shall not grow too weak." If too large a surplus is an injustice to the present depositor in that it may withhold from him his rightful income, how much greater an injustice may not too small a surplus be, in that it may withhold from him his rightful principal!

To illustrate the condition of affairs: A client hands me a thousand dollars, more than likely all she has in the world. She seeks my help and asks that I

put this sum in a safe accessible place. Income she tells me must be secondary to safety of principal. I cannot make a permanent investment, for long term investments have proved subject to depreciation, even the Government bond, and my client may need her money when the investment is selling below its purchase price. I cannot put the money in a safe deposit vault, for she would receive no income, would have to pay for the accommodation, and, more than all, such a step would be wrong in principle, as tending to retard the wheels of commerce. I have a choice of various depositories,—the banks, national and state, the trust companies, and the savings banks.

In my investigations I find that one of our strongest trust companies, and there are a number just as strong, with deposit liabilities amounting to about $60,000,000, holds a margin of safety including the stockholders' liability equivalent to 30% of deposits. No less than one-third of this margin, i. e., a sum equal to 10% of total deposits, is represented by cash which cannot depreciate in the vaults of the institution; another 10% is hardly likely to depreciate, being subject to demand in other banks and trust companies. I learn that its investments, without the compulsion of law, are gilt-edged, and as a whole, being of short maturity, are little subject to fall in price. I am satisfied with the personnel of its board.

I now compare this depository with a savings bank much stronger than the average, with deposit liabilities of a like amount. I find here that the margin of safety amounts only to 8% of deposits. Its cash-reserve is practically nil, being barely ½ of 1%. Only 5% of its deposits rests as a deposit reserve in other banks and trust companies. I am not unmindful of the fact that the savings bank can enforce a spasmodic demand notice against all deposits, while the trust company's notice, a much fairer and a signed agreement, is enforcible only against a certain amount, but this fact bears much more

upon the question of reserve than upon that of surplus. Its investments are very little if any more gilt-edged than those of the trust company, and as a whole, being of longer maturity, not nearly so immune to depreciation. The personnel of its board is no better. Nor can I dismiss the thought that the trust company in this instance is a safe money-making concern, the directors of which have their pocket-books at stake, and the savings bank but a philanthropic institution, its trustees not pecuniarily interested in its welfare.

Now the statement that this trust company is stronger than it need be, and that the savings bank is strong enough, does not even if true nullify my obligation to put this woman's savings in the safer of the two, nor does the fact that some trust companies may not be as strong as some savings banks alter the case in the least.

I do not mean to imply that the savings bank in question is in a precarious condition. Such a thought is absurd. Nor do I wish to intimate that it should carry a surplus of quite 30% of deposits. If such requirement were to be enforced we would be in a predicament, for even if the savings bank were to reduce its rate of dividend to 3%, with all conditions normal and no increase in deposit liabilities, the margin between what it earns and pays is so narrow that twenty years would be consumed in securing a surplus equivalent to 30%. We would in fact be in a predicament somewhat similar to that of the Yorkshire Penny Bank. They could not maintain any margin of safety because they could not reduce their rate at all, and here we could not reduce our rate commensurately.

If it be thought that my illustration is extreme, I stand by what I have said before: In the handling of other people's money, above all the savings of the poor, ultra-conservatism is a virtue.

The next provision is entitled "Books and Accounts." It reads as follows:

> "The Superintendent of Banks may prescribe the manner and form of keeping the books and accounts of all savings banks, and the extent to which they should be audited."

For many years our trustee savings institutions were accustomed to carry upon their books their bond purchases at par. In the past par values were mostly below the market; therefore this policy on the whole was conservative, although not good bookkeeping. With the enactment of the so-called amortization law in 1908, a number began to carry their bonds at investment value, which as I have explained, means to all intents and purposes at cost,—in some cases twenty or thirty points above the market. It may be asserted that it matters little how the books of a savings bank are kept, provided all concerned have a clear conception of the actual condition of the institution. To this assertion I take exception. I fail to see how the principles of sound banking will sanction the carrying of any asset upon the books of a savings bank constantly above its market worth. There is no objection to book values *per se*, provided that they be kept periodically below the market.

When we find upon the books of our savings banks, which owe 100 cents on the dollar, assets marked twenty points above the market, and the hands of the Superintendent of Banks tied by lack of authority to mark them down, it is high time for the State to intervene. In so much as the Superintendent can learn from other sources the true condition of the bank, by just so much is the depositor protected. But do not let us deny that there is such a thing as sound banking methods of bookkeeping.

Gentlemen, let us stop and think! Are not we savings bank men making a mountain out of a molehill? Admitting the obligation and the laudable inclination to place to the credit of the depositor, so far as consistent with safety, every penny earned, what is at stake?—our average deposit is $600. If dividends be

reduced from 4 to even 3%, it means merely the withholding of $6 of income a year. If dividends are not reduced, it means sooner or later the withholding or possible impairment of one hundred times that amount. The average savings depositor would rather receive at once 80 cents on the dollar than be indefinitely deprived of his principal. Can any sensible man doubt as to which course should be pursued?

If perchance there are trustees who deprecate the open discussion of this subject, I cannot assert too strongly that no one need be disturbed, nor am I, at the technical condition of any savings bank in the State, since the road to betterment is easy and lies straight before us. But I am disturbed, nay, alarmed, when I see the apathy and superficial acquaintance displayed by the managers of these banks with the very primer of banking.

If the majority of our trustees are uninformed or misinformed as to the rudiments of banking, it is their plain duty to study the subject. If unwilling, it is their duty to resign.

The depositor of a savings institution, closed because its trustees, through indifference or ignorance, have failed to maintain a proper margin of safety, is no better off than the depositor of an institution closed because of theft. Blundering management upon the part of honorable, capable and well-meaning men, due to their apathetic disregard or wilful rejection of accessible knowledge, is inexcusable, and can be as harmful and perhaps as despicable as malversation upon the part of thieves. The fact that law will punish the one and not the other, affords us only part protection. The law may be at fault, gentlemen, settle that question as you will, but the harm is done and the poor helpless depositor is the victim.

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